

Finding Number: 06-DNR-04

Fiscal Year: 2006
Related Prior Findings: None
Current Year Findings: None

Program: 66.460 Nonpoint Source Implementation Grants

Condition

DNREC expends federal funds to both vendors and subrecipients. Management could not identify which recipients of funding were vendors and which were subrecipients for our testing purposes. As a result, during our test work procedures, we noted that DNREC was not complying with Procurement, Suspension, and Debarment or Subrecipient Monitoring requirements.

Recommendation

We recommend that DNREC reinforce its policies and procedures to ensure that procurement, suspension and debarment as well as subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We further recommend that DNREC ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

In addition, DNREC should track vendors and subrecipients separately to enable agency personnel to perform the required compliance functions for both procurement, suspension, and debarment and subrecipient monitoring.

Agency Contact

Brian M. Leahy, Deputy Principal Assistant (302) 739-9921

Finding Status

Fully corrected.

Status

The policies and procedures referenced in the recommendation were completed by June 30, 2007. They were signed and included in the Division's Policy Manual on 7/1/2007 under Policy #SW-1004 Federally Funded Procurement Policy and Procedures. In addition, as a result of the FY2007 FMA audit, Policy #SW-1004 was updated and signed on 3/31/2008 to reinforce our policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. Training was provided to the appropriate Grant Program personnel in August 2007 to ensure compliance with the policy. The revised policy was also presented to the appropriate Grant Program personnel.

Finding Number: 2007-1 Fiscal Year: 2003

Related Prior Findings: 03-FIN-01, 04-FIN-01, 05-FIN-01, 06-FIN-01, 03-FIN-02, 04-FIN-02,

05-FIN-02, 06-FIN-02

Current Year Findings: 2008-1

Condition

Comprehensive Annual Financial Report (CAFR) Preparation

Process for Preparation

The CAFR process entails compiling worksheets, completing reconciliations, customizing reports, and recording various adjustments. The many sources of information and the extent of modification necessary results in a financial reporting process that is highly complex and susceptible to errors. In 2007, there was an internal review of the CAFR build-up prior to submitting the document for audit, and the process resulted in a draft document that was improved from the past. In addition, the personnel responsible for the CAFR development prepared a detailed roll forward reconciliation of the transactions in the central accounting system (DFMS) to the cash balances in the Office of the Treasurer prior to the drafting of the statements. The roll forward was also used to validate the accuracy of the transactions posted to the financial statement preparation worksheets and confirm that a \$12 million carryover variance had only a deminimus change since the prior year. We also noted increased interaction between the State and Component Unit financial management to ensure that numbers reconciled. While a timeline was developed for the completion of major milestones for the CAFR process, some of the significant deadlines were not met as a result of the more robust review and reconciliation process and the learning curve of new personnel. As a result, a significant amount of the preparation process was completed well after year end.

Additionally, the financial reporting process is dependent on cooperation from component units and other agencies. The component units and several large funds have separate audits that need to be coordinated. When there is not a separate audit, accrual accounting (GAAP) packages are completed annually by personnel in departments and agencies across the State. As a result, there are many manual processes completed by agency/department personnel. These processes include the development of accounts receivables, allowance for uncollectible accounts, accruals of state obligations, the development of construction work in process and the capture of cash and investment balances controlled outside the Treasurer's Office. Many of the outside agencies use systems outside of the current statewide accounting system to gather and track this information since the current system is not robust enough to meet their needs which adds to the complexity of the year end closing and reconciliation process. The GAAP package reporting process, which includes the preparation of over 180 packages, relies on agency personnel, many of whom were new to their positions, to complete the packages. The Division of Accounting (DOA) conducts training on the preparation of the packages and in 2007 conducted internal reviews of the material packages to ensure that amounts are accurate and properly supported. One of the focus areas for the review of GAAP packages was capital assets, the DOA internal controls personnel identified numerous errors including untimely transfer of work in process to the capital asset ledger, failure to capture of all expenditures that should be capitalized, and cutoff errors. The review was also more robust in other selected agencies 2007 than in the past, but these procedures were not completed until later in the closing process. Even after these reviews some errors went undetected as described in the following paragraph.

Although the process has been improved from prior years, as part of our audit, we detected errors in cutoff for grants and interest income. Additionally, several items were not properly included in capital assets. Lastly, we identified underling data or assumption errors associated with tax and accounts receivables.

Personnel Assigned

In 2007, external consultant assistance was used to facilitate the preparation of the CAFR. The external consultant had oversight responsibility for the supervision of the State's internal control personnel who were instrumental in the completion of the CAFR and the review of the external GAAP packages. As a result, the number of personnel involved in the preparation and review has appropriately expanded over the last two years. During our audit we noted that additional on the job training of new personnel and the adoption of a more robust documentation process led to the untimely receipt of several key deliverables needed for us to adequately perform our audit. Other than the hired consultant assistance, none of the key personnel involved with the process had experience before 2006 with the preparation of a financial statement with the size and complexity of the State of Delaware.

Additionally, many of the personnel assigned to complete the GAAP packages sent to the Division of Accounting by the agencies are not trained accountants, and there was a significant amount of turnover at the agencies with the personnel responsible for completing the GAAP packages.

Technology

The DFMS system is a cash basis accounting system that does not have the flexibility to accommodate modified accrual accounting and it is difficult to obtain ad-hoc reports for financial reporting and analysis. The system does not easily identify by GAAP fund what cash balances are held by the Treasurer's office. As a result, reports utilized from DFMS require significant manual manipulation through spreadsheets to develop the trial balances and the CAFR. In addition, the financial schedules and the Balance Sheet are rolled forward from year to year using an Excel spreadsheet for a \$10 billion operation.

Recommendation

We recommend that management continue with the progress made to date in refining their workpapers used to complete the draft CAFR and all significant adjustments, conversion to accrual adjustments and reconciliations. The review process should include an evaluation of the reasonableness of individual financial statement line items by an individual with sufficient financial reporting experience to detect inconsistencies and errors. Specific focus should be placed on cutoff and valuation accounts associated with the GAAP package process and report preparation.

Because of the complexity of the report build-up process, management should re-evaluate the adjustments to convert budget-basis DFMS numbers to GAAP basis and limit reconciling adjustments to required material amounts. Additional DFMS reports by GAAP fund should be investigated and utilized for the financial statement build-up process in place of the existing spreadsheet analysis that is completed. In Fiscal Year 2008, consistency should be put aside as management evaluates the necessity of the adjustments made to the core DFMS reports for CAFR preparation with a focus toward making the year-end financial statements more consistent with management reporting done throughout the year.

We continue to encourage the Division of Accounting to fill the open CAFR manager position with a person that has significant financial statement preparation experience with CPA or similar credentials. We encourage the State to continue to use their new resources to monitor the agency accountants and expand the knowledge base of personnel who understand GAAP. These resources are critical to the successful oversight of the GAAP package process and financial reporting processes in the outside departments and agencies that report to the Division of Accounting for year-end financial reporting.

We continue to recommend Component Units' processes be more formalized and the financial management of those agencies be provided with control numbers for items expected to be identified in the financial statements, including; transfer amounts, debt, cash, and due to/from. These numbers should be identified by the Division of Accounting as soon as the first cash basis close is completed so that the other departments and agencies can work toward verification of the balances through their own closing process.

The GAAP package preparation process should be a priority for all entities/agencies included in the State's financial reporting entity. The importance of accurate and timely submission of financial information should be communicated to the senior management responsible for these entities/agencies. The process to transition the preparation of the GAAP package to new personnel should be planned and coordinated to maximize knowledge transfer. In addition, we recommend that the internal control resources in the Division of Accounting continue the progress to communicate and train the agency staff year-round to improve the year-end reporting process and develop better information sources to complete the packages. For example, the capital asset review process should be completed throughout the year to insure the agencies are appropriately capturing activity for all projects, maintaining current records, and transferring construction in process to the final asset ledger timely so the GAAP packages are complete and accurate and in accordance with State's policy and generally accepted accounting standards. The current year training on GAAP package preparation should be updated to include more theoretical basis for what should be included in the packages. Areas of focus continue to include accounting estimates, receivable balances and capital asset accounting. The number of GAAP packages and personnel assigned to complete them should be reviewed as part of the improvements to year-end reporting to ensure that they comply with the State's policies over internal control and segregation of duties.

Lastly, as the State continues to prepare for the implementation of the new accounting system, every effort should be made to consolidate as much GAAP package accrual information as practical into the new central accounting system. These items include debt, fixed assets, accounts payable, accruals of payroll and other liabilities, and accounts receivable for all the agencies. The benefits of a more robust central accounting system will include a more efficient closing process, as well as better internal controls and more complete information for management decision making throughout the year.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

The Division of Accounting has made significant strides to ensure future releases of an accurate and timely CAFR. To date, we have:

- Implemented CAFR 2000, a financial reporting software used by other state governments, such as Maryland and West Virginia, that will minimize errors associated with the use of prior Excel spreadsheets and improve the overall effectiveness and efficiency of the reporting process.
- Continued improvement to the GAAP reporting package process to include:
 - Conducted debrief meetings with organization management to discuss Division of Accounting's review and/or KPMG's audit findings and required adjustments in order to improve their reporting process;
 - 2. Enhanced the annual GAAP reporting package training to include more theoretical basis for what should be included in the packages and stressing the importance of accurate and timely submission of the financial information;
 - 3. Consolidated budget units within several organizations which resulted in a decrease in the number of GAAP reporting packages; and
 - 4. Stressed the importance of a review process to ensure information submitted in the GAAP reporting packages is accurate and complete.

- Developed procedures to provide Component Units with control totals for State appropriations (restricted/unrestricted) and cash received.
- Performed interim capital asset addition and construction work in progress reviews.
- Negotiated a contract with TMS, II, LLC for accounting services to review all components of the 2008 CAFR. This consultant assisted with the CAFR preparation for the past four years and managed the project plan for the preparation of the 2007 CAFR. The consultant will include an evaluation of the reasonableness of individual financial statement line items with the ability to detect inconsistencies and errors.
- Further developed our in-house team of experts comprised of a CPA, a CICA and two State Accountant IVs who served in comptroller roles in the private sector. On August 18, 2008, two additional individuals will join the CAFR team as Internal Control Analysts (State Accountant IV positions). The additional human resources will expand our internal knowledge base, allow us to segregate internal control responsibilities, better divide the responsibilities of the CAFR preparation and review processes, and provide greater oversight of the entire financial reporting process.
- Continued involvement of CAFR personnel with the new financials system through definition of financial reporting requirements, design of the new processes, and testing of reports to ensure adequate and accurate information is produced throughout the transition and production processes.

We will not be able to fill the CAFR manager position by the end of the summer, as previously indicated. We are working with the Department's HR Manager and the Office of Management and Budget to get the position reclassified to a higher pay grade. We are committed to enhancing the competitiveness of the position and plan to have it filled by early 2009.

Anticipated Completion Date

Ongoing.

Finding Number: 2007-2
Fiscal Year: 2006
Related Prior Findings: 06-FIN-05
Current Year Findings: 2008-2

Condition

DFMS Journal Entries

The Department of Finance, Division of Accounting is responsible for the oversight of the processing of financial transaction in DFMS. The State of Delaware Office of the Auditor of Accounts issued a report entitled *Statewide Journal Entry Performance Audit, July 1, 2005 – February 28, 2006* in 2006 which contained findings related to the initiation and processing of financial transactions using documents contained in the Delaware Financial Management System (DFMS). During the current year audit, KPMG selected 30 journal entry transactions for testing and identified several ongoing internal control deficiencies including the following:

- Twenty-one of the entries selected for review did not provide complete supporting documentation or specify the business function or rationale to support the journal entries.
- Four of the journal entries were not properly authorized. Personnel are not required to have journal entries approved by another individual prior to submission to DFMS.

Recommendation

We recommend that the Department of Finance, Division of Accounting, take appropriate action to ensure that journal entries are appropriately reviewed prior to submission into DFMS.

• Agencies/Divisions/Departments should take the appropriate steps to ensure that supporting documentation for journal entries are filed in a timely manner. The supporting documentation should include the business function and rationale for the journal entry.

Additionally, the Agency/Division/Department should designate an individual to prepare the journal entry within the department/agency/division and have a separate individual that is authorized to approve the journal entries for adequate separation of duties.

Agency Contact

Trisha Neely, Director – Division of Accounting (302) 672-5500

Finding Status

Not corrected or partially corrected.

Status

During fiscal year 2008, two accounting memoranda (08-10 and 08-11) were sent to state organizations discussing internal controls and segregation of duties. All state organizations were required to provide copies of existing or newly developed policies and procedures to the division. Also addressed were: methods of achieving internal control; establishing control objectives; confidentiality of security code and access; and the use of the facsimile signature stamp.

All central organizations that prepare Journal Vouchers were contacted and instructed to either include supporting documentation along with the submission of the JV for processing or to fully document reasons for the transaction on the document. Our Internal Control personnel are notifying state organizations for improvement of their control activities as a follow-up to the division's internal review testing of journal vouchers for fiscal year 2008.

Anticipated Completion Date

August 2008

Finding Number: 2007-3 Fiscal Year: 2006

Related Prior Findings: 06-DOT-01 Current Year Findings: 2008-10

Condition

Accounting for Capital Assets and Infrastructure

In order to calculate the ending capital asset balances for the Department of Transportation (DelDOT) financial statements, the Department uses various spreadsheets as well as expense reports from its general ledger system to calculate the balance of capital assets and infrastructure, the Department does not currently have a capital asset subsidiary ledger that can roll-forward all of the elements typically contained in capital asset records, including identification, location, historical cost, acquisition date, useful life, depreciation, accumulated depreciation, and funding source.

The application of the modified approach to infrastructure requires determining if capital program expenditures are for preservation and maintenance or additions to the capacity of infrastructure. The Department currently has a sub-appropriation code in its general ledger system that tracks infrastructure additions so expenses can be coded correctly when they relate to infrastructure, however this coding has been inconsistently applied. The result is that projects are reviewed at year-end to determine whether they are capacity-building and there are no clear procedures surrounding this review.

Recommendation

In the prior year, we recommended that the balances of capital asset infrastructure be centrally managed in a capital assets subsidiary ledger with the capability to track additions, deletions, and calculate depreciation.

We further recommended that the Department establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting when a project is established, rather than at each year-end, so that capacity-building expenditures can be readily identified for financial reporting purposes.

The Department is in the process of developing a policy to address these recommendations, however these recommendations had not been implemented as of June 30, 2007. We continue to recommend that the Department both develop a capital asset subsidiary ledger and establish clear guidelines and procedures for determining whether a project adds capacity for purposes of financial reporting when a project is established.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Not corrected or partially corrected.

Status

Department of Transportation Policy Implement Number A-33 was written to establish an Infrastructure – Project Classification Policy. The policy determines the process for DelDOT to adopt a standardized method of assigning project costs to a proper infrastructure classification that will be compliant with mandates by the Governmental Accounting Standards Board. The Policy Implement became effective on 7/18/08.

DelDOT's BACIS accounting system does not have a centrally managed fixed asset subsidiary ledger and one is not anticipated to be established, inasmuch as the BACIS accounting system is over 25 years old. This issue should be addressed with the implementation of the Statewide PeopleSoft Accounting System.

Finding Number: 2007-4
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Condition

Nonroutine Transactions at DelDOT

We recommended in the prior year that the Department establish a formal review process over contracts entered into by the Department affecting revenue for the purpose of determining accounting treatment for year-end financial reporting. Although the Department implemented policies to perform such reviews going forward in response to this recommendation, contracts that were executed prior to this fiscal year may also have continuing impact on revenue.

In the current year, the Department received \$5.5 million in payment for the sale of land. We recommended, and management recorded, an audit adjustment to appropriately reflect the transaction on the Department's financial statements.

Recommendation

We recommend that, in addition to the contract review for new contracts, the Department also establish a formal review process for significant nonroutine transactions for the purpose of determining appropriate accounting treatment.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Fully corrected.

Status

Department of Transportation Policy Implement Number A-32 was written to establish a formal review process for all contracts entered into by the Department of Transportation that result in revenue being received by the Department and to ensure that the appropriate accounting treatment is implemented to properly record all revenues received. The Policy Implement was issued on 4/07/08, and became effective on 5/06/08.

Finding Number: 2007-5
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: 2008-11

Condition

Financial Reporting at DelDOT

The Department has contracted for the past several years with an outside CPA firm to compile its financial statements for the Transportation Trust Fund, Delaware Transit Corporation, and for the consolidated Delaware Department of Transportation entity.

The process used to obtain the necessary information for balances outside of the Department Trust Fund is not clearly documented, does not occur on a clear timetable, and relies heavily on one individual to provide information requested by the contractor for compilation purposes. Financial statement items impacted include receivables, payables, and capital assets, including infrastructure assets.

Additionally, there is no independent review of the information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its being provided to the contractor, increasing the risk of potential undetected misstatements, errors, or omissions.

Recommendation

We recommend that the Department develop, for the 2008 audit cycle:

- A detailed list of balances (other than those in the Transportation Trust Fund and Delaware Transit Corporation) and what detailed reports, supporting schedules, and other documentation are needed to support the compilation of financial statements and disclosures related to those balances.
- A specific timetable of when each of the detailed reports, supporting schedules, and other documentation will be completed.
- Interim review process to evaluate data before year-end to identify any issues and correct them before year-end close.
- A periodic monitoring process to ensure the timetable is adhered to.

We further recommend that the Department consider whether the current level of staffing is appropriate to:

- Disperse responsibility for specific reports, schedules, and documentation to others within the accounting function.
- Provide for an independent review of information for completeness, accuracy, and conformity with generally accepted accounting principles prior to its receipt by the compilation contractor.
- Review data throughout the year for completeness and accuracy.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Not corrected or partially corrected.

Status

DelDOT will explore the opportunities to implement this recommendation. Although we recognize the need for expanded knowledge and staffing, due to the current hiring freeze implemented by the Governor, the Department is not in a position to hire additional staff. Efforts will be made to improve this process through cross training of

staff. It is anticipated that with the implementation of the Statewide PeopleSoft Accounting System, many of the data collection issues/items will be resolved.

Anticipated Completion Date

Ongoing.

Finding Number: 2007-6
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Condition

Change Control over Toll System Host Computer

The toll system host computer and related software is used to process, record, and reconcile over \$128 million in toll revenue from both cash and EZ Pass customers.

There are four toll system software support positions, all of which have the ability to develop changes to the toll system and the ability to migrate them into the production environment. Typically, such duties are segregated to mitigate the risk that changes are disruptive to system operations either intentionally or unintentionally.

Although there is a change management policy requiring review and approval of changes, the ability exists to circumvent the approval process because of the lack of segregation of duties.

Recommendation

We recommend that the development of system changes be segregated from the ability to migrate changes into production.

Agency Contact

Kathy S. English (302) 670-2688

Finding Status

Fully corrected.

Status

Office of Information Technology/Toll Operations Policy S.O.I. Number SYS-04 was written to establish an effective and functional system for software changes. The S.O.I. contains instructions/policy to be followed for requesting and implementing software changes to the Toll System Servers/lane hardware and software applications/executables. The Policy Implement became effective October 2007.

Finding Number: 07-CJC-01

Fiscal Year: 2007 Related Prior Findings: None Current Year Findings: None

Program: 16.575 Crime Victim Assistance

Condition

Of the 10 payroll expenditures selected for test work, 4 of the time and effort certifications were not properly reviewed and approved as evidenced by a lack of a supervisor signature. We also noted that CJC could not provide a signed time and effort certification for one of the employees selected.

Recommendation

We recommend that CJC fully implement their procedures to ensure that all employees being paid with federal awards complete and sign time and effort certifications to support the payroll costs, as well as require supervisory review and approval of the certifications.

Agency Contact

Christian Kervick (302) 577-5030

Finding Status

Fully corrected.

Status

The Criminal Justice Council will adhere to its current policies and procedures and have all time sheets and Time and Effort Certifications reviewed and signed by supervisors.

Finding Number: 07-DTC-01

Fiscal Year: 2004

Related Prior Findings: 04-DTC-09, 05-DTC-05, 06-DTC-01

Current Year Findings: 08-DTC-01

Program: 84.007, Student Financial Assistance Cluster

84.032, 84.033, 84.038, 84.063, 84.376

Condition

In the prior year, the State of Delaware Office of the Auditor of Accounts engaged a third party to perform a general controls review of the Banner Application, which supports the Student Financial Assistance Cluster at Delaware Technical and Community College. Of the weaknesses noted on the prior report, the following findings still existed as of June 30, 2006:

- Policies and procedures are not formalized (documented).
- Backup and Recovery.
- Change Control.

In the current year, an updated general controls review was performed of the Banner Application and the following findings were identified as of June 30, 2007:

Policies and procedures for Information Technology processes and controls supporting the Banner Application could be improved. While the College has an acceptable technology usage policy in place, and several written procedures (including change management communications and backup procedures), several key policies are absent - including change management testing, user access administration, authentication/password policies, and policies governing monitoring security events and problem identification/resolution. While the IT Department has initiated efforts to improve and build on their policies, the College should develop the following policies and procedures: (1) change management testing, (2) user access administration, (3) authentication/password policies, (4) security event monitoring, (5) problem identification and resolution, (6) full policies on data back-up and recovery.

The implementation of a dedicated help-desk solution to support problem identification and resolution for Banner Application-related user issues could be useful. A help-desk solution would ensure that financial-aid-related user issues related to the Banner application do not go unresolved. The ideal solution should include a 24 hour/7 day knowledge base and be able to answer users' frequently-asked questions.

<u>Testing of the restorability of the Banner Programs should be performed at least annually.</u> As of June 30, 2007, there was no comprehensive plan to ensure that Banner Application programs and data could be recovered effectively from an off-site location.

<u>A weekly transmission of backup data should be taken to another campus.</u> As of June 30, 2007, while media containing backed-up data was taken to a second building on the Dover campus, such media should be taken further away to ensure that data is recoverable in the event of a catastrophic event on the Dover Campus.

Recommendation

We recommend that Delaware Technical and Community College continue to implement the recommendations as detailed in the above-referenced report.

Agency Contact

Gerard M. McNesby, Vice President of Finance (302) 739-4057

Finding Status

Not corrected or partially corrected.

Status

Policies and Procedures

The primary Banner application does not support expiration of passwords or support enforcing password complexity as it is delivered from the vendor. The College has strived to keep customizations to the Banner system to a minimum to ensure the seamless flow of upgrades and patches. Since the software vendor does not support password policies natively, we do not recommend implementing a customization to meet this recommendation.

The College's Data Analysts maintain a desk reference of procedures followed in day-to-day operations of the Banner system. These references are available in hard copy at the desk of the Analysts who maintains them. Custom scripts and code are stored centrally on a server with controlled access and archival systems ensuring the availability of the data.

A subcommittee for creation of formal Policies and Procedures is tasked with the formalization of all IT related policies and procedures on an ongoing basis. Change management, user access administration, and data back-up and recovery policies are already under review by this subcommittee.

A second subcommittee focusing on Identity Management is tasked with developing the processes and proposing policies that surround user authentication, system access, and password policies.

Policies have been developed that outline user access administration, authentication and password policies within Banners limitations, along with additional policies governing the backup and recovery process for Banner to include the remote recovery location equipment. Policies will be an on-going process and development will continue through the Banner System lifecycle.

Dedicated Help-Desk Solutions

The college portal has a section under "Help Center" tab which contains "frequently asked questions" that include a link for financial aid questions.

College Administration is reviewing the Application Help Desk operating procedures and its reporting structure on an ongoing basis. This helpdesk is charged with supporting faculty, staff and students with questions about Banner and Bannerweb. The college does support the recommendation of tracking of application helpdesk calls; however, currently there is no system in place to support this. A commercial product for logging help desk calls and providing online self support services like FAQ's, Knowledgebase, and opening support tickets is under review; however, no formal budget has been established for funding this product.

The structure of the Collegewide help desk has been changed to ensure faculty, staff, and students are provided with the correct help desk point of contact initially.

Testing of Restorability

At the end of October 2007, a server, safe for tape storage, and Tape archival system were relocated to the Owens Campus in Georgetown. This server provides line office support for the Banner system in the event of a catastrophic failure. During this transition, this system was tested to ensure the tapes could indeed restore the

Banner data from the backups created in Dover. Another formal and comprehensive plan to test that restoration took place in the first quarter of 2008. This recommendation is complete.

Location of Backup Data

This recommendation is complete. As of October 31, 2007, a safe has been located in Georgetown at our Owens campus and weekly tape backups are been transported and stored in that safe. The Georgetown campus is located about 40 miles south of our data center.

Anticipated Completion Date

Ongoing.

Finding Number: 07-DTC-02

Fiscal Year: 2006

Related Prior Findings: 06-DTC-02

Current Year Findings: None

Program: 84.007, Student Financial Assistance Cluster

84.032, 84.033, 84.038, 84.063, 84.376

Condition

In the prior year, it was noted the College was not in full compliance with the requirement to notify students with FFEL aid within 30 days of crediting the student account stating the date and amount of the disbursement or the student's, or parent's, right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of that loan.

In the current year, for the 15 students tested with FFEL aid across all campuses, it was noted this same finding only continued for the Fall semester of Fiscal Year 2007 and was corrected by the Spring semester of Fiscal Year 2007.

Recommendation

We recommend that the campuses continue to ensure that the controls over FFEL disbursement notifications are operating effectively.

Agency Contact

Debra McCain, Financial Aid Officer (302) 571-5380 Veronica Oney, Financial Aid Officer (302) 855-1667 Jennifer Grunden, Financial Aid Officer (302) 857-1042

Finding Status

Fully corrected.

Status

Within 30 days of crediting FFEL or PLUS loan recipients'/students' accounts, Banner generated Loan Disbursement Letters are printed on College letterhead and sent to the students. The letter includes the actual disbursement date, actual amount of the disbursement for each student, and a statement concerning the right of the student or parent to cancel all or a portion of the loan and then have the loan proceeds returned to the holder of the loan.

Finding Number: 07-ED-01 Fiscal Year: 2005

Related Prior Findings: 05-ED-03, 06-ED-01

Current Year Findings: 08-ED-01

Program: 84.287 Twenty-First Century Community Learning Centers

Condition

The State Department of Education (DOE) could not provide evidence that they have received or were due any A-133 single audit reports from those subrecipients expending more than \$500,000 in federal awards. While the DOE have requested such reports as required, there has been no response from the subrecipients. Accordingly, the DOE should request a positive confirmation from the subrecipients that A-133 single audit report is not required and consider holding back funding until that subrecipient's confirmation is received. In addition, the DOE should continue to strengthen its monitoring of the subrecipients by initiating the following:

- Include specific guidelines within the subrecipients' applications that would cause the suspension of continued funding.
- Ensure funding is on a reimbursement basis by verifying proof of expenditures prior to the reimbursing the subrecipients.
- Provide a standard report format for each subrecipient visit to ensure consistency and timeliness of periodic report. The standardized report should include any corrective actions required to be implemented and the consequences on not correcting those deficiencies.

The total amount of expenditures passed through to subrecipients was \$2,927,260 for the year ended June 30, 2007. Total expenditures for the program as a whole were \$4,434,928.

Recommendation

We recommend that DOE reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that the monitoring visits are consistently documented and reviewed by a supervising official. The monitoring visits should also reinforce the need to address deficiencies identified during those visits and the consequences of not correcting such deficiencies.

Agency Contact

Theresa Vendrzyk Kough (302) 739-4269

Finding Status

Not corrected or partially corrected.

Status

Requests for A-133 audit information were requested via e-mail on September 27, 2007. As of August 5, 2008 no A-133 reports have been filed. My office is currently in contact with each affected grantee and requesting that the information be forwarded to my office by August 15, 2008. Because of the continued poor response by the grantees, proof of A-133 financial reporting will now be required as part of their annual Continuation Application. Failure to provide A-133 financial documentation will result in loss of grant funds.

Anticipated Completion Date

Ongoing.

Finding Number: 07-ED-02 Fiscal Year: 2005

Related Prior Findings: 05-ED-05, 06-ED-03

Current Year Findings: 08-ED-02

Program: 84.048 Vocational Education – Basic Grants to States

84.027, Special Education Cluster

84.173

84.367 Improving Teacher Quality State Grants

Condition

Thirty payroll expenditures were tested at the State Department of Education, consisting of 24 Vocational Educational expenditures, four Special Education expenditures and two Improving Teacher Quality expenditures. While time and effort reports were present for each of the of employees selected, 11 of the time and effort reports were not signed by the employee and/or their supervisor within 90 days of the end of the pay cycle end date being allocated.

In addition, as noted in a prior year finding, the State Department of Education is still in the process of developing procedures to make adjustments (quarterly or annually), as necessary, to payroll costs charged to federal awards in order to reflect the activity actually performed by their employees. DOE does have procedures in place that require employees to complete periodic time and effort certifications as required by OMB A-87; however, the costs charged to federal awards are ultimately based on budgeted amounts programmed through the State-wide payroll system.

Recommendation

We recommend that DOE reinforce its policies and procedures to provide more timely reviews of time and effort certifications. We also recommend that DOE develop procedures to periodically adjust payroll costs charged to federal awards based on the actual activity performed, as supported by the time and effort certifications.

Agency Contact

Tammy Korosec (302) 735-4045

Finding Status

Not corrected or partially corrected.

Status

We will be reinforcing our policies and procedures as well as implementing the new format of time and effort reporting which will make reporting easier to report and reconcile. Reconciliations will be done on a regular basis and adjustments will be made based upon the reconciliations in accordance with OMB A-87. The Time and Effort process will be discussed with all employees affected, stressing the importance of accuracy.

Anticipated Completion Date

December 2008

Finding Number: 07-ED-03
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 84.010 Title I Grants to Local Educational Agencies

84.048 Vocational Education – Basic Grants to States

84.027 Special Education Cluster

84.173

84.367 Improving Teacher Quality State Grants

84.287 Twenty-First Century Community Learning Centers

Condition

Intrastate transactions

Appoquinimink School District

Based on a sample of 14 intrastate transactions selected for testwork totaling \$98,414, two intrastate transactions for budgeted audit fees of \$5,500 were not supported by actual expenditures and therefore not an allowable cost.

Total intrastate transactions for the Appoquinimink School District for the year ended June 30, 2007 were \$304,054.

Lake Forest School District

Based on a sample of 15 intrastate transactions selected for testwork totaling \$20,436, two intrastate transactions for budgeted audit fees of \$1,250 were not supported by actual expenditures and therefore not an allowable cost.

Total intrastate transactions for the Lake Forest School District for the year ended June 30, 2007 were \$214,997.

Red Clay School District

Based on a sample of 32 intrastate transactions selected for testwork totaling \$396,257, there was one intrastate transaction totaling \$5,122 that was not approved by the appropriate personnel.

Nonpayroll transactions

Capital School District

Of the seven nonpayroll transactions selected for testwork totaling \$1,267, one transaction for \$259 was charged to Title I for the reimbursement of college credits, which is not considered an allowable cost in accordance with Title I program requirements and OMB Circular A-87.

Total nonpayroll transactions for the Capital School District for the year ended June 30, 2007 were \$927,193.

Red Clay School District

Of the 54 nonpayroll transactions selected for testwork totaling \$203,774, one transaction for \$147 was not approved by the appropriate personnel.

Recommendation

We recommend that the School Districts cited above implement policies and procedures to ensure that payment and interstate vouchers are appropriately approved in accordance with State and District policy and that appropriate supporting documentation is maintained with all processed transactions.

Agency Contact

Appoquinimink School District – Maryellen Brown	(302) 376-4128
Capital School District – Sean Sokolowski	(302) 672-1512
Lake Forest School District – Christine DaCosta	(302) 284-3020
Red Clay School District – Jill Floore	(302) 552-3725

Finding Status

Fully corrected.

Status

Appoquinimink School District

The practice of transferring money into a local appropriation for audit fees has been discontinued and Appropriation 8920 has been eliminated. Now, the District follows the State-recommended practice of encumbering audit fees against the grants using a purchase order.

Capital School District

The corrective action has been implemented. We do not charge Tuition Reimbursements to federal funds anymore.

Lake Forest School District

Lake Forest found the error prior to the audit, worked with the Department of Education to determine corrective action. Paid back funds with a corrective IV prior to the audit, the funds were never spent just put into a holding account, which allowed the district to return the funds in the same fiscal period. Lake Forest will not allow an expense for audit fees in the future unless an actual audit was performed.

Red Clay School District

Policies have been established to ensure approval by appropriate personnel.

Finding Number: 07-ED-04
Fiscal Year: 2006
Related Prior Findings: 06-ED-11
Current Year Findings: 08-ED-04

Program: 84.010 Title I Grants to Local Educational Agencies

84.048 Vocational Education – Basic Grants to States

84.027 Special Education Cluster

84.173

84.367 Improving Teacher Quality State Grants

Condition

Brandywine School District

Based on a sample of 21 payroll expenditures totaling \$26,235, seven employees totaling \$6,344 were charged 100% to federal programs, but lacked semi-annual time and effort reports signed by either the employee or their supervisor. In addition, four employees totaling \$5,361 were charged to federal programs, but did not account for 100% of their time on their time and effort report.

Caesar Rodney School District

Based on a sample of 15 payroll expenditures totaling \$16,564, one employee was charged 80% to a federal program which did not agree to the 100% reported on the employee's time and effort certification. In addition, five time and effort reports did not indicate the date they were signed by the employee.

Christina School District

Based on a sample of 32 payroll expenditures totaling \$74,854, one employee totaling \$1,532 was erroneously charged to the Improving Teacher Quality State Grants program. In addition, the time and effort reports for the remaining sample tested did not indicate the date they were signed by the employee.

Delmar School District

Based on a sample of 2 payroll expenditures totaling \$321, both employees in the sample who worked on multiple federal programs did not have monthly time and effort reports.

Lake Forest School District

Based on a sample of 20 payroll expenditures totaling \$15,213, one employee was charged 64% to a federal program which did not agree to the 50% of actual effort supported by the employee's time and effort report, resulting in an overcharge of \$306 to the Special Education Cluster. Two employees totaling \$2,791 were charged to federal programs, but did not account for 100% of their time on their time and effort report. In addition, one other employee charged federal programs for \$435, but did not indicate the percentages of actual effort on their time and effort report.

Seaford School District

Based on a sample of 12 payroll expenditures totaling \$11,880, seven employees totaling \$4,853 who worked on multiple federal programs did not sign their time and effort reports. Four of these effort reports totaling \$3,952 were not approved by the employee's supervisor. In addition, seven employees' time and effort reports totaling \$6,538 were approved by the employee's supervisor prior to the actual time being incurred.

Recommendation

We recommend that the above School District maintain personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been solely engaged in activities supported by one funding source. These effort reports should only be signed to reflect actual effort expended.

Agency Contact

Brandywine School District – David Blowman	(302) 793-5045
Caesar Rodney School District – Ada Twitchell	(302) 697-2173
Christina School District – Patrick O'Rourke	(302) 552-2614
Delmar School District – Charity Phillips	(302) 846-9544
Lake Forest School District – Christine DaCosta	(302) 284-3020
Seaford School District – Donna Blackburn	(302) 629-4587

Finding Status

Not corrected or partially corrected.

Status

Brandywine School District

The revised version of the partially federally funded employee time reporting form as provided by DE DOE was forwarded to all applicable federal programs monitors with guidance as to their purpose and the requirements to ensure their timely completion and to have them available for inspection. Also, at the same time, the requirement for the completion of a semiannual roster of fully federally funded employees was communicated.

Caesar Rodney School District

Reported employee time and effort certifications will agree to actual payroll expenditures.

In addition to the time frame listed in the narrative of the time and effort logs, a date line will be included with the signature line so that the employee will indicate the actual date of signature.

Christina School District

The Christina School District procedure for Time and Effort Reporting (BUS-P001) includes guidance for Consolidating administrative funds. This procedure has been revised to incorporate the guidance from "QUESTIONS AND ANSWERS on CERTAIN PROVISIONS of TITLE XIV of the ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965", about which funds can be consolidated, to add the requirement for SEA approval, and to add a date line on the semi-annual certification form.

Delmar School District

The district will convene a Data Payroll Documentation Meeting with all staff who are funded partly or in full by federal funds. The purpose of this meeting will be to explain the procedures

Lake Forest School District

The problem was the T&E was done by unit instead of actual time, we implemented the change immediately and have implemented the new form for split funding employees, July 1, 2008.

Seaford School District

The recent federal audit findings for the Seaford School District involved several employee time and effort reports that were either missing signatures or were approved prior to the actual time being incurred.

The Seaford School District has adopted the new Time and Effort Forms and procedures recommended by the Delaware Department of Education. We will maintain accurate personnel activity reports (effort reports) for all employees who work on multiple programs or obtain semi-annual certifications for employees that have been

solely engaged in activities supported by one funding source. These effort reports will only be signed to reflect actual effort expended.

Anticipated Completion Date

FY 2009

Finding Number: 07-ED-05
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 84.048 Vocational Education – Basic Grants to States

Condition

For one of the five vendors selected for testwork, the District did not follow the proper procurement process. The District could not provide supporting documentation that the vendor was selected through a competitive bidding process or that an approved exception to the process (sole source statement) had been made.

Total payments made to the one vendor with federal funds were \$52,295 for the year ended June 30, 2007.

Recommendation

We recommend that the District ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. In cases where competition is limited, justification and approval should be documented in the contract file via a sole source statement.

Agency Contact

Ada Twitchell (302) 697-2173

Finding Status

Fully corrected.

Status

The Caesar Rodney School District does and will ensure that all contracts awarded with federal funds are awarded on a competitive basis in accordance with the State's procurement policies and procedures. The District will document the justification and approval in the contract file where competition is limited and/or where exceptions to competitive bidding apply.

Finding Number: 07-ED-06
Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: 08-ED-05

Program: 84.010 Title I Grants to Local Educational Agencies

Condition

The School District did not obtain formal approval from the State Department of Education to consolidate its administrative funds. In addition, the Vocational Education program was being included as part of the consolidated administrative funds, even though that program is not a covered program for consolidation.

Recommendation

We recommend that the District obtain formal approval from the State Department of Education to consolidate its federal administrative funds and ensure that such funds only consist of covered programs for consolidation.

Agency Contact

Patrick O'Rourke (302) 552-2614

Finding Status

Not corrected or partially corrected.

Status

The Christina School District procedure for Time and Effort Reporting (BUS-P001) includes guidance for Consolidating administrative funds. This procedure has been revised to incorporate the guidance from "QUESTIONS AND ANSWERS on CERTAIN PROVISIONS of TITLE XIV of the ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965", about which funds can be consolidated, to add the requirement for SEA approval, and to add a date line on the semi-annual certification form.

Finding Number: 07-COE-01

Fiscal Year: 2006

Related Prior Findings: 06-COE-01

Current Year Findings: None

Program: 90.401 Election Reform Payments

Condition

Nonpayroll transactions

One of 10 nonpayroll transactions selected for test work totaling \$1,200 was not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Manual*. The total dollar value of the 10 transactions was \$3,063,695. This transaction was for an allowable expenditure.

Total nonpayroll transactions processed by the program for the year ended June 30, 2007 totaled \$3,842,318.

<u>Intrastate transactions</u>

Three of 9 intrastate transactions selected for test work totaling \$44,848 were not signed by two authorized signers, as required by Department policies and the State *Budget and Accounting Manual*. The total dollar value of the 9 transactions was \$168,869. These transactions were for allowable expenditures.

Total intrastate transactions (intergovernmental vouchers and expenditure correction documents) processed by the program for the year ended June 30, 2007 totaled \$325,894. Total expenditures for the program were \$4,277,000.

Recommendation

We recommend that COE implement policies and procedures to ensure that payment vouchers and intergovernmental vouchers are appropriately approved in accordance with State and agency policy.

Agency Contact

Elaine Manlove (302) 739-4277

Finding Status

Fully corrected.

Status

This office no longer uses a signature stamp or processes vouchers without two signatures. All vouchers are signed by the Commissioner of Elections.

Finding Number: 07-COE-02

Fiscal Year: 2006

Related Prior Findings: 06-COE-02

Current Year Findings: None

Program: 90.401 Election Reform Payments

Condition

Although the Department of Elections is exempt from State procurement law, the U.S. Election Assistance Commission did not provide an exemption to COE regarding federal procurement, suspension, and debarment policies. As a result, COE is required to comply with federal regulations/requirements when procuring materials/services with federal funds.

For two out of three vendors tested, COE asserted that the procurements were made based on sole source justification. However, the appropriate documentation to support this determination was not available. Also, the COE could not provide evidence of an executed contract between the COE and the vendors for the services provided during the audit period. Total voting machine and voting machine upgrade expenditures paid to the two vendors for Fiscal Year 2007 totaled \$3,001,625. Total program expenditures for Fiscal Year 2007 totaled \$4,277,000.

Recommendation

We recommend that COE implement internal control policies and procedures to ensure that all procurements with federal funds are in compliance with federal procurement, suspension, and debarment requirements.

Agency Contact

Elaine Manlove (302) 739-4277

Finding Status

Fully corrected.

Status

A sole source statement is now on file in this office.

Finding Number: 07-COE-03

Fiscal Year: 2006

Related Prior Findings: 06-COE-03

Current Year Findings: None

Program: 90.401 Election Reform Payments

Condition

The SF-269 Form submitted for the period ended September 30, 2006, did not properly separate outlays between the federal share and the required state match. All expenditures incurred during the reporting period are reported as federal outlays, resulting in an overstatement of the federal share by \$24,488 and a corresponding understatement of the state share. In addition, one of the three SF-269 reports submitted to the EAC during the audit period did not contain an authorized signature as evidence of proper review and approval.

Recommendation

We recommend that COE implement internal controls to ensure that the identification of errors in reporting information occurs prior to submission of the SF-269 Form to the U.S. Election Assistance Commission.

Agency Contact

Elaine Manlove (302) 739-4277

Finding Status

Fully corrected.

Status

These reports were corrected and resubmitted by David Ward to the EAC immediately during the audit. Copies are filed in the reports book marked and dated as corrected.

Finding Number: 07-DHSS-01

Fiscal Year: 2007 Related Prior Findings: None

Current Year Findings: 08-DHSS-01

Program: 10.551, Food Stamp Cluster

10.561

66.468 Capitalization Grants for Drinking Water State Revolving Funds

93.044, Aging Cluster

93.045, 93.053

93.268 Immunization Grants

93.283 Centers for Disease Control and Prevention, Investigations, and

Technical Assistance

93.563 Child Support Enforcement

93.558 Temporary Assistance For Needy Families

93.959 Block Grants for Prevention and Treatment of Substance Abuse

93.568 Low Income Home Energy Assistance Program

93.596 Child Care Cluster

93.667 Social Services Block Grant

93.767 State Children's Health Insurance Program

93.775, Medical Assistance Cluster

93.777, 93.778

93.917 HIV Care Formula Grants

Condition

For 9 of the 10 drawdowns selected for testing, we noted that the amount of the drawdown did not agree to supporting documentation from the State's general ledger, Delaware Financial Management System (DFMS). We noted in certain cases the drawdown request exceeded the supporting expenditure amounts in DFMS.

Recommendation

We recommend that the Department enhance its policies and procedures for drawing down federal funds in order to ensure they are in compliance with the terms of the Agreement.

Agency Contact

Robert Bubacz (302) 255-9247

Finding Status

Not corrected or partially corrected.

Status

Effective March 2008, DMS-Grants began using actual screen prints of current DFMS expenditures by appropriation for the weekly drawdowns as supporting documentation. A procedures manual has been developed for the current process.

Anticipated Completion Date

March 2008

Finding Number: 07-DHSS-02

Fiscal Year: 2007 Related Prior Findings: None

Current Year Findings: 08-DHSS-02

Program: 10.551, Food Stamp Cluster

10.561

93.558 Temporary Assistance For Needy Families

93.596 Child Care Cluster

93.667 Social Services Block Grant

93.767 State Children's Health Insurance Program

93.775, Medical Assistance Cluster

93.777, 93.778

Condition

The Department did not follow its cost allocation plan when charging costs related to DMMA. The PACAP plan designates DMMA costs to be charged directly to the Medicaid program or through the indirect charge method across all DMMA programs. However, the Department was incorrectly allocating the DMMA related costs among the DSS programs, as the Department was still in transition in separating the DMMA division from DSS during Fiscal Year 2007.

Recommendation

We recommend the State ensures its general ledger, Delaware Financial Management System (DFMS), is properly configured to allocate costs out of the cost pool in accordance with its approved PACAP plan. We also recommend that the PACAP plan be revised to reflect an allocation of costs to federal programs based on the true effort being provided to those federal programs. The State should also implement procedures to perform a review of the costs being allocated out of the cost pool to ensure it is being allocated in accordance with the approved PACAP.

Agency Contact

Robert Bubacz (302) 255-9247

Finding Status

Not corrected or partially corrected.

Status

DHSS received conditional approval for the submitted 2005 PACAP plan. An updated PACAP plan with proposed changes to DMMA allocations was submitted September 2007. Implementation for the allocation changes should be completed in SFY 2009.

Anticipated Completion Date

April 2009

Finding Number: 07-AGI-01

Fiscal Year: 2002

Related Prior Findings: 02-AGI-01, 02-DHSS-01, 03-AGI-01, 04-AGI-01, 05-AGI-01, 06-AGI-01

Current Year Findings: 08-AGI-01

Program: 93.044, Aging Cluster

93.045, 93.053

93.667 Social Services Block Grant

Condition

Employees who are 100% charged to the Aging Cluster complete semi-annual certifications in accordance with OMB Circular A-87. Employees work on multiple cost objectives; however, while tracking of effort is performed for employees in the Client Services Unit, the Division of Services for the Aging and Adults with Physical Disabilities (DSAAPD) has not yet developed a system to accurately allocate costs based on actual effort.

Recommendation

We recommend that the DSAAPD continue development of procedures to allocate salaries based on time studies performed in accordance with its Summary Status of Prior Year Findings.

Agency Contact

Albert Griffith (302) 255-9355

Finding Status

Not corrected or partially corrected.

Status

Cost Allocation process had been developed and is in place effective July 2008.

Finding Number: 07-AGI-02

Fiscal Year: 2007 Related Prior Findings: None

Current Year Findings: 08-AGI-02

Program: 93.044, Aging Cluster

93.045, 93.053

Condition

Subrecipients with expenditures less than \$500,000 do not receive an audit according to OMB Circular A-133. Of the 10 subrecipients tested, we noted that management was not performing any testing during its site visits to ensure that program income being reported by these subrecipients was correct or complete. Thus, we were unable to determine that program income for these entities was being applied to the program according to the applicable federal requirements.

Recommendation

We recommend that management implement procedures during its site visits to review controls in place at the subrecipient level over collecting, tracking and reporting program income. We recommend that DSAAPD consider verifying the program income reported by subrecipients on quarterly reports submitted to DSAAPD against supporting documents during its site visits.

Agency Contact

Albert Griffith (302) 255-9355

Finding Status

Not corrected or partially corrected.

Status

Hiring freeze has limited our ability to resolve this finding. The Unit's vacancy rate is currently 57%. One of the vacant positions is the Internal Auditor that will be visiting the providers and verifying project income activities among other things. Once approval obtained to recruit for vacant position, we will begin site visits and verify project income.

Anticipated Completion Date

July 2009

Finding Number: 07-CSE-01 Fiscal Year: 2004

Related Prior Findings: 04-CSE-01, 05-CSE-01, 06-CSE-01, 04-CSE-02, 05-CSE-02, 06-CSE-02

Current Year Findings: 08-CSE-01

Program: 93.563 Child Support Enforcement

Condition

In prior years, it was recommended that the Division of Child Support Enforcement (DCSE) establish appropriate steps to review worklists generated by the Delaware Automated Child Support Enforcement System (DACSES) computer system to determine cases requiring action in order to provide adequate lead time for employees to complete actions necessary to comply with time requirements. It was also recommended that DCSE enhance DACSES to include documentation regarding:

- Documentation of health insurance coverage obtained by the custodial parent,
- Confirmation of health insurance available (or unavailable) at a reasonable cost by the non-custodial parent, and
- Additional enforcement action taken to obtain available reasonable-cost health insurance.

It was further recommended that DCSE replace DACSES with a computer system that could better facilitate establishment of paternity, support and medical support obligations. It is also noted DCSE should ensure evidence of appropriate documentation of programmer access or change control for programmers be maintained in the new computer system.

DCSE continues to work toward implementation of these recommendations. However, per DCSE's Summary Status of Prior Year Findings, recommendations were only partially implemented as of June 30, 2007.

Recommendation

We recommend that management continue with its corrective action plan including the following initiatives:

- Work list management initiative
- Training initiative
- Redistribution of caseloads
- Division of Child Support Enforcement/Division of Social Services interface
- New post-court DACSES screen
- National medical support notice
- New DACSES system

Agency Contact

Theodore Mermigos, Midge Holland, and Andrew Haman (302) 395-6520

Finding Status

Not corrected or partially corrected.

Status

Work list management initiative

Phase I: Eliminate the creation of duplicate worklist items. Completed -September 5, 2004

Phase II: Consolidation of the creation of the worklist items, including a new hierarchy of the worklist items. *Completed April 17*, 2005

Phase III: Will adjust the processing and timing of interstate related cases and remove the isolated absent parent locate function (APLS), giving that function to all caseworkers. *Completed June 20*, 2007

Phase IV: All processes and worklists should allow cases to be worked until eventual completion without the indefinite suspension of any case minus some form of notification or processing by an automated function. The second goal of this phase requires an analysis of the priority schemes applied to worklist items.

Phase V: Evaluation

Completion of the total Worklist Management initiative is projected for December 2008 (significant amount of time is required for data cleanup as this is the final phase).

Training initiative

DACSES Worklist Management training was conducted statewide with division employees. In accordance with this recommendation, the training was part of the ongoing worklist management initiative to assist DCSE staff with better manage of their overall caseload and in accordance with Federal case processing guidelines. *Completed June 9*, 2006

The training was developed to enable staff to be able to navigate and manage a worklist utilizing the new functionalities in the Worklist Management screen. *Completed June 21, 2006.*

Redistribution of caseloads- (No longer warranting further action)

DCSE will redistribute caseloads so that staff is responsible for specific tasks on multiple types of cases. To do this, Child Support Specialists (CSS) will be placed into two primary functional categories: Establishment Workers and Enforcement Workers. Establishment Workers will be responsible for a case from the time of application/intake until the time a support order is established. Among their primary duties (in addition to establishing an order) will be parent locate and paternity establishment. Enforcement Workers will be responsible for a case from the time the order is recorded until the case is closed, taking all required enforcement and modification action necessary to properly work the case.

There will two exceptions to the Caseload Redistribution initiative. Dedicated workers will handle Foster Care cases and cases in which the Non-Custodial Parent resides out of state (known as APO cases), from intake to case closure. A statewide Foster Care Unit will be established in New Castle County, while APO workers will be deployed in each county.

Mandatory training that covers all aspects of case processing remains in development and will be provided to all Child Support Specialists prior to the redistribution of cases. *Completed January* 22, 2008

Division of Child Support Enforcement/Division of Social Services interface

Our automatic interface of medical insurance information with the Division of Social Services /Medicaid began May 16, 2008. DCSE staff no longer needs to send paper copies of our DCSE medical questionnaire to the Medicaid office, as information entered into DACSES is sent via the interface one a month. One outstanding issue related to notation on the DACSES case events screens when information is sent via the interface. Once programming is finished; the entry will appear for all cases sent to Medicaid, starting with May 2008 data.

New post-court DACSES screen

While the post court screen would still be a valuable tool for workers, dedicating the programming resources to develop and test the screen have proved difficult. Because the data necessary for the medical interface is

currently captured in other areas of DACSES, management has decided not to implement the post-court screen and will upgrade the existing functionality when DACSES is replaced.

National medical support notice

DCSE fully implemented the National Medical Support Notice. (Completed July of 2004)

New DACSES system

DCSE has submitted the federally required Feasibility, Alternatives and Cost benefit analysis for the replacement project. Final federal approval of that study is pending. When received, DCSE will launch the development phase for the replacement project. Kick off for that effort is projected for June 2009.

Anticipated Completion Date

June 2012

Fiscal Year: 2006

Related Prior Findings: 06-DMMA-01 Current Year Findings: 08-DMMA-01

Program: 93.775, Medical Assistance Cluster

93.777, 93.778

Condition

For 40 TPL claims tested in 2007, we noted that the State's third party service provider sought reimbursement from at least one insurance provider by for all claims tested. However, we were unable to determine the extent to which reimbursement was sought for claims with open reimbursement status. This represents 4 out of the 40 claims reviewed. We also noted the State does not currently communicate with the service provider regarding the status of open claims and does not monitor the claims collections process.

Recommendation

The State is currently in the process of developing a TPL policy manual. We recommend that the manual includes specific language as to the responsibilities of all parties involved and that the policies noted in the manual be immediately implemented by the State.

Agency Contact

Nicci Johnson (302) 255-9546

Finding Status

Not corrected or partially corrected.

Status

The TPL Unit has worked with Electronic Data Systems (EDS) and their contractor Health Management Services (HMS) to track all outstanding claims. TPL meets with HMS on a bi-monthly basis to review the status reports of outstanding claims activities. The TPL unit has developed letters to be sent to providers with the highest levels of non-compliance. All of this information will be contained in the TPL policy manual once it is completed. The completed manual will outline the responsibilities of all parties that are involved in the process.

Anticipated Completion Date

September 2008

Fiscal Year: 2004

Related Prior Findings: 04-DSS-01, 05-DSS-01, 06-DMMA-03

Current Year Findings: None

Program: 93.775, Medical Assistance Cluster

93.777, 93.778

Condition

We reviewed 40 provider overpayments identified during the year and noted that the State has not fully implemented a process as of June 30, 2007, to properly track individual provider overpayments collected via check. While the State does reduce the reimbursement from the Medicaid program by way of summary level cash collections reports, there was no current way to track individual checks received in order to ensure that cash collections were properly accounted for and managed. Starting in Fiscal Year 2008, the State has implemented the necessary processes and reports to track the individual provider overpayments collected via check.

Recommendation

We continue to recommend that DMMA implement procedures to track individual provider overpayments collected via check. This will ensure that reports currently used by DHSS to determine federal reimbursement credits are complete and accurate.

Agency Contact

Melissa Motter-Pelletier (302) 255-9249

Finding Status

Fully corrected.

Status

Testing was performed last year after the exit conference with external audit firm.

Fiscal Year: 2006
Related Prior Findings: 06-DSS-03
Current Year Findings: None

Program: 93.596 Child Care Cluster

93.558 Temporary Assistance for Needy Families

93.775, Medical Assistance Cluster

93.777, 93.778

Condition

For two of 70 participants selected for eligibility test work, a recipient file, which typically includes documentation of individual eligibility, was unable to be found by program staff. Due to the missing documentation, it was indeterminable if the participant was eligible according to the criteria stated above.

Also, for three of 40 cases selected for MEQC eligibility test work, the case file, which includes documentation of eligibility re-determinations, was unable to be located by program staff.

Recommendation

The Divisions should implement policies and procedures to aid in the maintenance and storage of participant case files. Also, we recommend that case files are reviewed to ensure that all eligible cases are properly supported by adequate levels of documentation.

Agency Contact

Barbara Hanson (302) 255-9580

Finding Status

Fully corrected.

Status

Original case either found or reconstructed.

Finding Number: 07-DPH-01 Fiscal Year: 2006

Related Prior Findings: 06-DPH-01 Current Year Findings: 08-DPH-01

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

93.268 Immunization Grants
93.917 HIV Care Formula Grants

Condition

Supplemental Nutrition Program for Women, Infants, and Children (WIC)

All employees who work for WIC are 100% charged to the program and are therefore required to fill out semi-annual certifications in accordance with OMB Circular A-87. One out of 11 employees selected for testing did not certify their time.

Immunization Grants

Employees who are 100% charged to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet developed a system to accurately allocate costs based on actual effort. Thirteen out of 18 employees selected for testing did not certify their time.

HIV Care Formula Grants

Employees who are 100% charged to the program complete semi-annual certifications in accordance with OMB Circular A-87. However, for employees who work on multiple cost objectives, the Division of Public Health has not yet developed a system to accurately allocate costs based on actual effort. Four out of 8 employees selected for testing did not certify their time.

Recommendation

We recommend an internal control be implemented at the program level to reconcile semi-annual cost certifications to the budget and allocate the differences to each federal grant.

Agency Contact

Martin Luta (302) 744-1050

Joanne White (302) 739-3671

Finding Status

Not corrected or partially corrected.

Status

Immunization Grants

Partially corrected – Staff that has to work across programs is now proportionately split funded. However, certain program budgets have been so tight that they are unable to absorb additional costs, but we are addressing the appropriate coding of time to the appropriate funding sources.

WIC Program

Fully corrected – Quarterly time certifications are completed by WIC funded employees in which the staff members certify that 100% of their time is spent on the WIC program.

Anticipated Completion Date

Immunization Grants – January 2009

Fiscal Number: 07-DPH-02

Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 66.468 Capitalization Grants for Drinking Water State Revolving Funds

Condition

The Office of Drinking Water used set-aside funds (as defined in the criteria above) to purchase an electronic surge protection system for the Division of Public Health Laboratory. This activity is not allowable under the above 15% set aside criteria. The expenditure was erroneously coded to an incorrect appropriation code under the capitalization grant.

Recommendation

We recommend that the Office of Drinking Water follow its policies and procedures to ensure that all expenditure activity is allowable and properly coded to the correct appropriation code in its general ledger.

Agency Contact

Thom May (302) 744-4705

Finding Status

Fully corrected.

Status

The expenditures in question were recoded to the proper accounts, and the program is developing procedures to ensure that items are coded to the correct areas in the future.

Anticipated Completion Date

January 2009

Fiscal Year: 2006

Related Prior Findings: 06-DPH-09 Current Year Findings: 08-DHSS-07

Program: 93.283 Centers for Disease Control and Prevention, Investigations, and

Technical Assistance

Condition

During Fiscal Year 2007, \$344,821 in federal funds were expended in Public Health Preparedness Section (PHPS) construction projects for which the contractor did not contemporaneously submit certified payroll records to the State. The projects were 100% federally funded.

Although the PHPS was aware that the federal prevailing wage rates applied and the contractor was so informed, the PHPS did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of Federal construction projects, we recommend that the PHPS develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact

Michael Bundek (302) 255-9278

Finding Status

Not corrected or partially corrected.

Status

As part of all contract and bid documents, contractors are made aware of the Davis Bacon Act requirements. Payrolls are submitted to the Division of Management Services Facility Operations Unit for review.

Fiscal Year: 2006

Related Prior Findings: 06-DPH-14 Current Year Findings: 08-DPH-02

Program: 93.283 Centers for Disease Control and Prevention, Investigations, and

Technical Assistance

Condition

Public Health Preparedness Section (PHPS) has not maintained records of federally funded equipment or tracked it according to OMB Circular A-110, Subpart C. In addition there has not been a physical inventory of equipment performed in the last two years.

Recommendation

We recommend that the CDC Program maintain accounting records and track equipment in accordance with Circular A-110. We also recommend that CDC ensure periodic physical inventories are taken and reconciled at least once every two years.

Agency Contact

Joe Hughes (302) 223-1720

Finding Status

Not corrected or partially corrected.

Status

A list of equipment is being maintained manually until the automated inventory management system is implemented in August 2008. A physical inventory will be conducted by the end of August 2008, and completed at least annually.

Anticipated Completion Date

August 31, 2008

Fiscal Year: 2007 Related Prior Findings: None

Current Year Findings: 08-DHSS-03

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Condition

For 1 of the 4 vendors selected for testing, we noted that the vendor contract did not contain language requiring the vendor to certify that they were not suspended or debarred.

Recommendation

We recommend that DPH add procedures to ensure that the required suspension and debarment verification procedures are performed.

Agency Contact

Mary Perkins (302) 744-4706

Finding Status

Not corrected or partially corrected.

Status

Suspension and debarment contract clauses will be added to new and renewal vendor contracts. Due to the length of current contracts, these findings will not be fully corrected until July 2009.

Anticipated Completion Date

July 2009

Fiscal Year: 2006

Related Prior Findings: 06-DPH-05

Current Year Findings: None

Program: 93.268 Immunization Grants

Condition

The interim FSR completed for award H23/CCH322567-03 for the year ending December 31, 2006, was not submitted within the required 90-day timeframe. This report was submitted on July 9, 2007.

Recommendation

We recommend that the Program's policies and procedures be amended to ensure that cut-off for federal financial reporting is proper, and that reports are completed in a timely manner going forward.

Agency Contact

Martin Luta (302) 744-1050

Finding Status

Fully corrected.

Status

Procedures have been put in place.

Fiscal Year: 2006

Related Prior Findings: 06-DPH-02 Current Year Findings: None

Program: 10.557 Supplemental Nutrition Program for Women, Infants, and Children

Condition

Information concerning eligibility of individuals who live in the Southern Delaware region is managed in a database controlled by the Southern Tier. However, the Southern Tier does not maintain supporting documentation related to these individuals. Approximately 40% of all eligible participants live in the Southern Delaware region.

Recommendation

We recommend that the WIC Program maintain supporting documentation for all eligible participants at each site for at least a two-year period.

Agency Contact

Joanne White (302) 739-3671

Finding Status

Fully corrected.

Status

A data file of all participants for eligibility testing has been created and is stored at the BIGGS data center. The data is from January 1, 2007 to the present. WIC clinics statewide maintain all required documentation in hard copy or on line for review.

Fiscal Year: 2003

Prior Year Findings: 03-DPH-02, 04-DPH-04, 05-DPH-05, 06-DPH-07

Current Year Findings: None

Program: 93.283 Centers for Disease Control and Prevention, Investigations, and

Technical Assistance

Condition

The CDC Grant program (CFDA number 93.283) is comprised of many different grants, each of which has unique compliance requirements.

Because CDC Grant employees are generally funded 100% with Federal funds, in the prior year we recommended that the CDC Grant program begin requiring employees to certify that they worked 100% on CDC Grant program activities, at least semi-annually. Total salaries and fringe benefit costs charged to the CDC Grant program for fiscal year 2007 were \$ 3,563,995. Total expenditures for Fiscal Year 2007 were \$ 11,125,073.

We selected the following federal grants within the CDC Grant program for test work:

- Bioterrorism
- Public health surveillance

The Screening for Life section, which is responsible for cancer screening and prevention grants, did not implement our prior year recommendations in the current year.

The Division of Public Health Preparedness Section (PHPS), which is responsible for the bioterrorism portion of the CDC Grant program, implemented a semi-annual certification process in the current year. The certification statement reads as follows:

"In accordance with the requirements described above and as set forth in OMB Circular A-87, Attachment B...I certify that during the period ________ to _______, I attest that each of the following employees that I directly supervise devoted all of their 37.5 hour work week to activities and duties directly relating to the State of Delaware's Public Health Preparedness Program. If the employee commenced and/or ended employment during the six-month certification period, a starting and/or ending date of employment is indicated."

However, the State of Delaware's Public Health Preparedness Program consists of multiple federal and state funding streams which require separate cost tracking and reporting and therefore is not specific enough to meet the requirements of OMB Circular A-87, Attachment B.8.h.3.

Recommendation

We recommend that the semi-annual certifications be revised to further classify employees as to single federal award or cost objective within the State of Delaware Public Health Preparedness Program.

We further recommend that, if it is determined that an employee cannot be classified within a single federal award or cost objective, that personnel activity reports be prepared consistent with OMB Circular A-87, Attachment B.8.h.4 and 8.h.5).

Agency Contact

Carmen Herrera (SFL Director) (302) 744-1040 Joe Hughes (Public Health Preparedness) (302) 223-1720

Finding Status

Fully corrected.

Status

PHPS – The semi-annual certifications have been revised to read, "The Public Health Emergency Preparedness Cooperative Agreement" and are now being conducted quarterly.

Screening for Life – For each quarter of the 2008 fiscal year, the following certification statement was added to Employee Annual Leave Report for each employee to initial: *I certify I worked 100% for the Screening for Life program for July 1, 200X – September 30, 200X time period.* All certification statements were accompanied by a line for the employee's initials. Employees received an updated leave report each quarter for their review and signature.

Fiscal Year: 2004

Related Prior Findings: 04-DPH-06, 05-DPH-06, 06-DPH-08

Current Year Findings: 08-DPH-03

Program: 93.283 Centers for Disease Control and Prevention, Investigations, and

Technical Assistance

Condition

We noted that, in order to ensure provider claims are accurately paid, significant manual manipulation of the Screening for Life (SFL) database is required, including:

- Reviewing the data for duplicate claims and suppressing payment on duplicates as appropriate.
- Reviewing and changing as appropriate State appropriation codes and fiscal years.
- Reviewing suspended items for propriety and changing status as appropriate.
- Reviewing claims denied for propriety and changing status as appropriate.

We also noted that:

- There is no up-to-date system documentation including support of changes that have been made to the system since inception, which may result in difficulties in updating the SFL system for programmatic changes.
- The system is based on Access 97, which is an application that is no longer supported by Microsoft. This may result in difficulties in updating the SFL system for programmatic changes.
- Test and production databases are on the same server, which may result in data being erroneously changed.
- The system does not include all MDE's mandated by the grantor, which may result in difficulty providing adequate screening data to the grantor agency.
- Physical and logical security surrounding the SFL system contain weaknesses, such as the ability of users to potentially by-pass the data entry screens and manipulate underlying data, that may result in data being changed without the knowledge of program personnel.

Total breast/cervical screening claims paid with federal funds for the year ended June 30, 2007 were \$582,149. This amount impacts other financially related compliance requirements, including matching, maintenance of effort, period of availability, and financial reporting. Total expenditures for CFDA number 93.283 were \$11,125,073.

Recommendation

We recommend that the SFL Program continue to implement its corrective action plan, which includes a proposal to enhance the Screening for Life database to a server modular based application.

Agency Contact

Carmen Herrera (SFL Director) (302) 744-1040

Finding Status

Not corrected or partially corrected.

Status

Bids received to RFP to enhance SFL database were not economically feasible. SFL has worked with IMS and IRM to develop contract to migrate Access backend to SQL Server. Anticipated contract start date is September 2008.

Anticipated Completion Date

June 2009

Fiscal Year: 2007 Related Prior Findings: None Current Year Findings: None

Program: 93.667 Social Services Block Grant

Condition

For 9 of 40 expenditures selected for testing, we noted that the funds were expended subsequent to the period of availability for the respective grant awards (2002 and 2003 grant years). We also noted that the Division was unable to provide a waiver from the federal cognizant agency supporting an extension of the period of availability.

The total dollar value of the 9 transactions was \$73,743. Total transactions processed by the program for the 2002 and 2003 grant awards were \$643,648 for the Fiscal Year ended June 30, 2007, which were outside of the period of availability.

Recommendation

The program should enhance their policies and procedures to monitor all federal awards to determine the period of availability and expend funds within that set time frame, or obtain approvals for extension from the federal cognizant agency before the period of availability expires.

Agency Contact

Thomas Jones (302) 225-9601

Finding Status

Fully corrected.

Status

The Division has requested a waiver from the Office of Community Services and is awaiting a response.

Anticipated Completion Date

Contingent on Federal response.

Finding Number: 07-DSS-02 Fiscal Year: 2007

Related Prior Findings: None

Current Year Findings: 08-DHSS-06

Program: 93.596 Child Care Cluster

93.558 Temporary Assistance for Needy Families

Condition

Child Care

The Division was not able to provide supporting documentation from the Delaware Financial Management System (DFMS) to support the amounts reported in the ACF 696 for grant year 2006 and 2005 expenditures made during Fiscal Year 2007. The unsupported amount for the ACF 696 reports was \$2,235,318. In addition, due to the lack of supporting documentation for the amounts presented on these reports, we were not able to test compliance with the level of effort requirements.

<u>Temporary Assistance for Needy Families</u>

The Division was not able to provide supporting documentation from the Delaware Financial Management System (DFMS) to support the amounts reported in the ACF 196 for grant year 2005 and 2003 expenditures made during Fiscal Year 2007. The unsupported amount for the ACF 196 reports was \$5,601,361.

Recommendation

We recommend that management maintain copies of supporting documentation for all reports required by the grant.

Agency Contact

Thomas Jones (302) 225-9601

Finding Status

Not corrected or partially corrected.

Status

DHSS will maintain and provide supporting documentation for all required reports that accurately reflect expenditures in the Delaware Financial Management System which will allow for the testing of compliance with the level of effort requirements.

Fiscal Year: 2007 Related Prior Findings: None Current Year Findings: None

Program: 93.767 State Children's Health Insurance Program

Condition

For one of 15 participants selected for eligibility test work, a recipient had income above the eligibility requirements that are stipulated in the State's plan. This recipient was still included in the State's system as an eligible participant. There were no benefits received by this individual for the year ended June 30, 2007.

Recommendation

We recommend that the Division enhance their policies and procedures to ensure that applications are reviewed and income eligibility is verified before the applicant is entered into the system and awarded benefits.

Agency Contact

Barbara Hanson (302) 225-9580

Finding Status

Fully corrected.

Status

The error was a result of a technical issue with the eligibility system. The error has been corrected.

Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 93.558 Temporary Assistance for Needy Families

Condition

One out of 7 recipients of TANF that were flagged in DCIS II as "child support non-cooperation" continued to receive TANF benefits. The States policy is to deny all TANF benefits when there are cases of Child Support Non-Cooperation.

Recommendation

The Division should reinforce its policies and procedures to ensure that benefits are discontinued for cases of Child Support Non-Cooperation.

Agency Contact

Barbara Hanson (302) 225-9580

Finding Status

Fully corrected.

Status

The error was a result of a technical issue with the eligibility system. The error has been corrected.

Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 93.959 Block Grants for the Prevention and Treatment of

Substance Abuse

Condition

The State has not provided for the provision of the independent peer review to ensure that at least 5 percent of the entities providing services in the State are reviewed.

Recommendation

We recommend that the Division establish a process to ensure that the independent peer reviews are conducted in accordance with federal requirements. We also recommend that the Division ensure that at least 5 percent of these treatment services are reviewed on an annual basis.

Agency Contact

Ben Klein (302) 255-9153

Finding Status

Fully corrected.

Status

DSAMH continues to maintain that the peer review requirement is being satisfactorily met. A summary of our peer review related activities for SFY 2007 is as follows:

Joint Providers meetings – this is a meeting with clinical supervisors from Substance Abuse and Mental Health outpatient programs. The group discusses referral process for cases and evaluates the effectiveness of the process. Feedback is provided from agency to agency as to the most effective and most client-friendly way to communicate and make a seamless transition from program to program when clinically necessary. Joint provider's meetings were held on the following dates:

July 5, 2006, October 1, 2006 and January 23, 2007

<u>Providers Forum</u> – this is a meeting to which all Substance Abuse providers are invited (contractors and non-contractors). Each agency provides an update on new initiatives as well as client capacity, and availability for more clients. Agencies provide feedback and state concerns they have had in accessing services for clients. Providers are encouraged to provide honest feedback but in a productive and helpful may to make improvements. This has proven to be very beneficial to address concerns with the overall continuum of care since most providers statewide are in the room at the same time. These meeting took place on the following dates in SFY 2007:

August 15, 2006, October 17, 2006 and April 10, 2007

<u>Periodic meetings</u> – Three to four times a year, contracted providers are asked to meet with DSAMH program and fiscal staff to review program progress. These meetings address staffing, client services and programming as well as expenditures/budget. The meetings are facilitated with only one agency at a time. Periodic meetings with our providers were hosted in November 2006 and February 2007.

An excerpt from our 2008 block grant application is included below. Our understanding is that SAMHSA has found this to be acceptable. In addition, we require all contractual provider agencies that receive \$500,000 or more in funding through DSAMH to be accredited by JCAHO or CARF. This also helps us meet the federal requirement since these accrediting bodies require peer review.

GOAL #15. An agreement to assess and improve, through independent peer review, the quality and appropriateness of treatment services delivered by providers that receive funds from the block grant (See 42 U.S.C. 300x-53(a) and 45 C.F.R. 96.136).

FFY 2007 (Progress):

Delaware Health and Social Services

Division of Substance Abuse and Mental Health

In FY 2004, DSAMH initiated a process to conduct periodic meetings with outpatient and residential treatment contractors. DSAMH achieved its goal in FFY 2005 to expand inclusion to day treatment providers. DSAMH achieved its goal in FFY 2006 to ensure on-going functioning of the meetings into the future. Elements of peer review covered in the meetings are program sharing, best practices, problem resolution, and reporting of successes.

Department of Services for Children, Youth and Their Families

Division of Child Mental Health Services

DCMHS was re-accredited by JCAHO for a period of three years, based on a site survey conducted in December 2004. JCAHO re-accreditation as a Managed Care Organization is based in part on the accreditation status of network providers or the results of monitoring by the organization. All scheduled substance abuse providers were monitored and completed corrective actions requested. JCAHO has decided to discontinue accreditation to Managed Care Organizations however after careful consideration to accreditation bodies DCMHS has decided to pursue accreditation with the Commission on Accreditation of Rehabilitation Facilities (CARF) March 2007. DCMHS is preparing for this accreditation and preparing all substance abuse providers which will have to be reviewed during DCMHS accreditation process.

DCMHS conducts quarterly meetings with all treatment providers to share information on current activities and initiatives, emphasizing implementation of Integrated Service Planning and "best practices" in treatment and in client safety.

FY 2008 (Intended Use)

Delaware Health and Social Services

Division of Substance Abuse and Mental Health

In FY 2004, DSAMH initiated a process to conduct periodic meetings with outpatient and residential treatment contractors. DSAMH achieved its goal in FFY 2005 to expand inclusion to day treatment providers. DSAMH achieved its goal in FFY 2006 to ensure on-going functioning of the meetings into the future. Elements of peer review covered in the meetings are program sharing, best practices, problem resolution, and reporting of successes.

Department of Services for Children, Youth and Their Families

Division of Child Mental Health Services

DCMHS will continue to monitor programs and train on CARF standards.

Fiscal Year: 2004

Related Prior Findings: 04-SAM-02, 06-SAM-01

Current Year Findings: None

Program: 93.959 Block Grant for the Prevention and Treatment of

Substance Abuse

Condition

Administrative costs are allocated to the Block Grant for the Prevention and Treatment of Substance Abuse on the basis of total funding available from various funding streams rather than actual usage of these services (i.e., Attorney General charges) by the program. The allocation process was not corrected in fiscal year 2007 by the program.

Total non-payroll costs other than contractual services charged to the cluster for Fiscal Year 2007 were \$20,245.

Recommendation

We recommend that the Division develop procedures to allocate administrative costs on the basis of actual usage of goods or services by the program.

Agency Contact

Ben Klein (302) 255-9153

Finding Status

Fully corrected.

Status

Procedures were developed and implemented starting in SFY 07 and completed in SFY 08.

Finding Number: 07-SSC-01
Fiscal Year: 2003
Related Prior Findings: 03-SSC-04
Current Year Findings: 08-SSC-01

Program: 93.568 Low Income Home Energy Assistance Program

Condition

Although the Low-Income Home Energy Assistance Program (LIHEAP) identifies the Federal law and regulations that govern the Early Start Program for its subrecipient it does not provide the CFDA title and number, the award number, and the name of the Federal agency as part of the grant agreement. The State Contract Policies and Procedures is a resource that provides the policies, procedures, and guidelines to promote sound business decisions and practices in securing necessary services for the State and should assist in the writing of grant documents to properly comply with Federal regulations for subrecipient grants.

LIHEAP's policy is to perform an annual review of both the fiscal and program activities at the subrecipient in order to meet the requirements noted in the criteria section above. For the subrecipient selected for testwork, there was evidence of program review and testing, however the Division could not provide evidence of any monitoring of the fiscal activities. We were also not able to assess the level of testing that should have been performed by management as management had not performed a risk assessment on the subrecipient.

In addition, we noted that the cooling segment of the LIHEAP program is not included in the monitoring procedures and has not been included in the automated eligibility database used by Catholic Charities, the subrecipient that receives the majority of LIHEAP funds, for the full Fiscal Year ended June 30, 2007.

Total expenditures made to subrecipients for the Fiscal Year ended June 30, 2007 were \$7,170,475.

Recommendation

We recommend that LIHEAP enhance its current policies and procedures over subrecipient monitoring, specifically the during-the-award monitoring (i.e., performance reports, site visits, etc.), to ensure that its subrecipients are complying with program laws, regulations, and grant award provisions and that its performance goals and objectives are being achieved. We also recommend that LIHEAP ensure that all required award information is properly communicated to the subrecipient as required.

Management should also perform a risk assessment of the subrecipient to determine the level and extent of testing over the direct and material compliance requirements as required by Circular A-133. In addition, we continue to recommend that the LIHEAP Program implement its corrective action plan, which includes adding the cooling component to the automated database (CAPTAINS).

Agency Contact

Gloria Upshur (302) 225-9672

Finding Status

Not corrected or partially corrected.

Status

LIHEAP policies and procedures enhanced as recommended inclusive of all reward information relayed to the sub-recipient as required = fully corrected.

Risk assessment conducted of the sub-recipient = partially corrected.

Complete self-correcting action plan of adding the LIHEAP summer cooling component to the Captains automated database = no longer warranting further action.

Anticipated Completion Date

Sub-recipient risk assessment to be conducted during the third or fourth quarter of the federal fiscal year, beginning with FFY09.

Finding Number: 07-DOL-01 Fiscal Year: 2006 Related Prior Findings: 06-DOL-01

Current Year Findings: None

Program: 17.258, WIA Cluster

17.259 17.260

Condition

In the prior year, we recommended that DOL implement an ongoing annual time study approved by the U.S. Department of Labor to allocate payroll to the various grants accordingly. We noted that the DOL continued to allocate time to the federal Workforce Investment Act (WIA) Program grants automatically based on budgeted amounts rather than according to actual effort during the Fiscal Year ended June 30, 2007.

Starting October 1, 2007, we understand that the DOL implemented a new salary allocation system, Autotime, to track actual time and effort of employees working on federal grants. The reports generated from this system are being reconciled to budgeted amounts, and the reconciliation is used to produce adjustments to the accounting system in a timely manner. The new salary allocation system was approved by the US DOL, Employment and Training Administration Grant Officer in the Final Determination Letter issued January 2008 for Audit Report No.: 21-07-529-03-390.

We also noted that in November 2007, the DOL, as part of its corrective action plan, developed a methodology to determine the correct amounts that should have been charged to the various grants for fiscal years 2006 and 2007 and prepared documentation of their analysis of actual time worked versus budgeted amounts. The final payroll analysis of actual effort versus budget resulted in a net overcharge to the grants of \$76,868 for the Fiscal Year ended June 30, 2007, and a net undercharge of \$157,030 for the prior Fiscal Year ended June 30, 2006. The methodology implemented by the DOL appears reasonable; however, the amounts were not audited. The US DOL, Employment and Training Administration Grant Officer also approved the methodology in the Final Determination Letter issued January 2008 for Audit Report No.: 21-07-529-03-390.

Total payroll costs charged to the grant for the year ended June 30, 2007 totaled \$1,815,680.

Recommendation

We acknowledge that DOL has started using the approved salary allocation system on October 1, 2007, as part of its corrective action plan to allocate payroll to the various grants based on actual time worked by the employees. We recommend that DOL use the approved methodology of analyzing actual effort against budgeted amounts for the first quarter of Fiscal Year 2008 (July 1, 2007 through September 30, 2007) and make any necessary adjustments to the WIA grants.

Agency Contact

Kris Brooks (302) 761-8024

Finding Status

Fully corrected.

Status

The Division of Employment and Training has analyzed actual effort against budgeted amounts for the first quarter of FY08 (July 1, 2007 through September 30, 2007) and made the necessary adjustments to the WIA grants.

Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 97.029 Flood Mitigation Assistance

Condition

DNREC expends the majority of its Flood Mitigation Assistance funds to subrecipients. During our test work procedures, we noted that DNREC was not complying with subrecipient monitoring requirements. DNREC does not have a formal written policy outlining the procedures necessary for compliance with subrecipient monitoring. As a result, the agency was not able to provide evidence of any on-site reviews, follow up visits, or any other off-site monitoring performed during the year. In addition, DNREC did not receive or review the applicable A-133 Single Audit reports from its subrecipients in order to determine if management responses or corrective actions were necessary. Finally, the match requirement is met with funds provided by the subrecipient; however, DNREC did not ensure that the match is in conformity with the grant agreement as part of subrecipient monitoring.

Recommendation

We recommend that DNREC reinforce its policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official. We further recommend that DNREC ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Agency Contact

Brian M. Leahy, Deputy Principal Assistant (302) 739-9921

Finding Status

Fully corrected.

Status

The Division's Policy #SW-1004 Federally Funded Procurement Policy and Procedures was originally signed and included in the Division's Policy Manual on 7/1/2007. An updated version of this policy to fill in gaps noted as a result of the FY2007 audit was signed and included in the Division's Policy Manual on 3/31/2008 to further reinforce our policies and procedures to ensure that subrecipient activities are monitored on a timely basis, and that monitoring visits are documented and reviewed by a supervising official and to ensure that the required financial reporting and outcome-based data are collected from the subrecipients and reviewed on an annual basis.

Fiscal Year: 2007
Related Prior Findings: None
Current Year Findings: None

Program: 97.029 Flood Mitigation Assistance

Condition

DNREC is not properly preparing the quarterly performance reports. DNREC's reports include basic information regarding the project start date and a brief description of the progress of the project. The reports, however, do not include the detailed information required by the grant agreement. In addition, there is no evidence of proper management review and approval of the performance reports.

Recommendation

We recommend that DNREC prepare the quarterly performance reports in accordance with FEMA guidelines to include all of the required information. We also recommend that management review and sign the quarterly performance reports as evidence of supervisory approval.

Agency Contact

Brian M. Leahy, Deputy Principal Assistant (302) 739-9921

Finding Status

Fully corrected.

Status

As of the first quarter reports of FFY2008 (dated 1/30/2008) the quarterly performance reports have included all of the required information in accordance with FEMA guidelines and have included a management review. Signature lines have been added for the preparer of the report (grant program manager) and for management.

Fiscal Year: 2006

Related Prior Findings: 06-OMB-03

Current Year Findings: None

Program: 64.005 Grants to States for Construction of State Home Facilities

Condition

During fiscal year 2007, \$8,610,278 in federal funds were expended in a construction project for which the contractor did not contemporaneously submit certified payroll records to the State. The project was 65% federally funded.

Although the Office of Management and Budget was aware that the federal prevailing wage rates applied and the contractors were so informed, the Office of Management and Budget did not have policies and procedures in place to require submission of and monitor certified payrolls.

Recommendation

Because the State Department of Labor, Division of Labor Law Enforcement does not have responsibility for oversight of federal construction projects, we recommend that the Office of Management and Budget develop policies and procedures related to federally funded construction projects that include procedures and assignment of responsibility for monitoring Davis-Bacon Act submissions from contractors at the Department level.

Agency Contact

Michael S. Jackson, Director of Budget Development, Planning and Administration (302) 672-5118

Finding Status

Fully corrected.

Status

Policy put in place defining requirements and responsibilities of contractor and OMB personnel.

Fiscal Year: 2006

Related Prior Findings: 06-DEM-03, 06-DEM-05

Current Year Findings: None

Program: 97.036 Disaster Grants - Public Assistance Grants (Presidentially

Declared Disasters)

16.007 Homeland Security Grant Program

97.004 97.067

Condition

Delaware Emergency Management Agency (DEMA) does not provide all appropriate award information to the subrecipients to ensure that the subrecipient is informed of all compliance requirements within each grant. In addition, DEMA did not monitor all of its subrecipients through reporting, site visits, or regular contact. DEMA had no procedures in place during the 2007 fiscal year to ensure that its subrecipients met the audit requirements of OMB Circular A-133, nor did DEMA notify the subrecipients of the audit requirements at the initial award of the subgrant. DEMA also did not have procedures in place to evaluate the impact of subrecipient activities on the pass-through entities' ability to comply with applicable federal regulations. The total grant awards passed through to subrecipients was \$4,501,472 for Public Assistance Grants and \$5,682,980 for the Homeland Security Grant Program.

Recommendation

We recommend that monitoring of subrecipients, whether state agencies or external agencies, include the following: (1) proper notification by DEMA at the time of the initial grant award to the subrecipient of the requirement to maintain documentation supporting all transactions related to federal funds for a period of three years after the grant has been closed; (2) periodic monitoring of fiscal requirements and performance of regular site visits and desktop audits to ensure that subrecipients are expending the federal funds awarded properly (including, but not limited to, allowability of costs, cash management, period of availability, reporting and procurement, and suspension and debarment); and (3) providing documentation of all subrecipient monitoring policies and procedures to all staff responsible for the grant.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Disaster Grants – Public Assistance Grants (Presidentially Declared Disasters) Not corrected or partially corrected.

Homeland Security Grant Program Fully corrected.

Status

The division is currently doing site visits for all sub-grantees receiving funds from the Homeland Security Grant Cluster. We hope to have all visits completed prior to the initial distribution of the FY 07 Grant funds. As we award sub-grants, the division will perform site visits as soon as it's possible to do so. Subsequent visits and/or desktop audits will be performed as necessary depending on the size and scope of the sub-grant.

A version of the monitoring checklist used for Homeland Security Grants has been developed for Public Assistance Grants. Additionally, they developed a desktop monitoring form as well for both programs. OMB

Circular A-133 requirements are included in the Certification and Assurances Document used for the Homeland Security Program, and developed for the Public Assistance Program. This document is a requirement before any sub-recipients receive federal funds through either program.

Our monitoring program will soon be managed by a part-time employee whose sole responsibility will be to do site visits and desk audits. Training is to begin in August 2008. We sent out a letter to all sub-recipients on audit requirements in May 2008. We continue to periodically remind sub-recipients of the audit requirements through the grant cycles. Audit reports that are received are reviewed and documented.

Anticipated Completion Date

October 15, 2008

Fiscal Year: 2007 Related Prior Findings: None Current Year Findings: None

Program: 97.036 Disaster Grants - Public Assistance Grants (Presidentially

Declared Disasters)

Condition

DEMA passes Public Assistance Grant funds through to other local governmental units and nonprofit organizations which are defined as subrecipients. We selected four subrecipients receiving Public Assistance Grant funds for test work. For four of the subrecipients selected for test work, DEMA did not verify that the entity was not suspended or debarred.

Recommendation

We recommend that DEMA add procedures to ensure that the required suspension and debarment verification is obtained from subrecipients at the time of the sub-award.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully corrected.

Status

DEMA Certification and Assurances documents have all been updated to include the suspension and debarment language. The sub-recipients are required to sign these certifications prior to DEMA reimbursing them for any expenditures. Our Sole Source letters all include the same language. Each Planning Section is responsible for ensuring that all future sub-recipients have not been suspended or debarred from doing business with the federal government.

Fiscal Year: 2004

Related Prior Findings: 04-DEM-03, 05-DEM-01, 06-DEM-01

Current Year Findings: 08-DSHS-01

Program: 16.007 Homeland Security Grant Program

97.004 97.067

Condition

Specific allocations are made from each employee's salary to the grant. Some employees' salaries are charged 100% to the grant, while only a portion of other employees' salaries is charged to the grant. There are no personnel activity reports that reflect after-the-fact distributions of the actual activity on the grants charged. DEMA implemented procedures in the fourth quarter of the current fiscal year to have employees complete an "effort certification" which is used as the basis to adjust budgeted amounts charged to the programs to actual in accordance with the requirements of OMB Circular A-87, Attachment B.11.h.4(e). We selected 40 payroll transactions and noted that DEMA did not update allocation percentages in the PHRST payroll system for any of the items selected for test work.

For four of 40 employees selected for testwork, the related effort reports for the October 14, 2006 pay cycle were not reviewed and approved by the employee's supervisor.

Recommendation

We recommend that DEMA's personnel implement procedures and controls to ensure that the charges to each grant are adjusted on a quarterly basis in the PHRST payroll system to reflect actual effort report. Additionally, DEMA should ensure that the payroll amounts reported in DFMS are adjusted to reflect the correct allocation percentages prior to posting adjustments between budgeted and actual costs to DMFS (adjustments may be made annually per OMB Circular A-87, Attachment B.8.h.5 (e) (ii), as long as the quarterly comparisons conducted by DEMA continue to show the differences between budgeted and actual costs being less than 10%).

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully corrected (as of January 1, 2008).

Status

New timesheets for all employees have been created so actual hours worked on particular grant programs are accurately accounted for when they happen. Adjustments are made every bi-weekly pay cycle to charge the correct grant programs regardless of what grants are already identified within the payroll system.

Fiscal Year: 2006

Related Prior Findings: 06-DOA-01

Current Year Findings: None

Program: 16.007 Homeland Security Grant Program

97.004 97.067

Condition

DEMA passes funds through to other State agencies either by procuring equipment and transferring such equipment to the agencies or by providing formal sub-grants to the agencies to procure specialized equipment. For one of two fixed asset selected for testwork, the following items were not properly recorded on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2007 in accordance with the State of Delaware Fixed Asset Accounting Policy:

• State Fire Marshall: Motorola Printtrak Livescan Fingerprint Station - \$42,285

Recommendation

We recommend that the equipment noted above be appropriately recorded in the FAAS. Additionally, we recommend that DEMA implement procedures to provide notification to other State agencies' fiscal personnel when equipment is transferred to those agencies.

Agency Contact

Bob Harrison (302) 659-2244

Finding Status

Fully corrected.

Status

All equipment purchases made through DEMA and passed to other state agencies are followed up to ensure the receiving agency is aware that the equipment is in the accounting system and it needs to be put in the FAAS. Furthermore a letter was sent to these agencies in June 2008 to remind them of their requirement under both the grant program and the state programs. This letter will be sent each year in June when state agencies are required to do inventory review for the annual GAAP Package.

Fiscal Year: 2007 Related Prior Findings: None Current Year Findings: None

Program: 16.710 Public Safety Partnership and Community Policing Grants

Condition

The Delaware State Police (DSP) procures and transfers equipment to local municipalities for their use. Of the ten pieces of equipment selected for test work, two items were recorded incorrectly on the State's Fixed Asset Accounting System (FAAS) as of June 30, 2007 in accordance with the State of Delaware Fixed Asset Accounting Policy. The cost of the machine per DSP records is \$42,285; however, the cost recorded on the State's FAAS is \$38,346.

Recommendation

We recommend that the cost of the equipment noted above be appropriately adjusted in the FAAS to agree to DSP's records.

Agency Contact

Sandra L. Frazier (302) 739-5953

Finding Status

Fully corrected.

Status

The corrections have been made in FAAS.

Finding Number: 07-CYF-01 Fiscal Year: 2004

Related Prior Findings: 04-CYF-01, 05-CYF-01, 06-CYF-01

Current Year Findings: 08-CYF-01

Program: 93.658 Foster Care – Title IV-E

Condition

The DHHS Office of Inspector General issued report number A-03-03-00562 dated July 8, 2005 covering the five-year audit period October 1, 1998 to September 30, 2003 that stated, in part:

"Delaware's cost allocation plan describes the procedures used to identify, measure, and allocate administrative and training costs among benefiting Federal and State programs. DCA approved Delaware's cost allocation plan 95-1 in March 1999. The plan was effective from October 1998 through September 1999. In December 1999, DCA approved cost allocation plan 95-2, effective October 1999.

After approval of plan 95-2, ACF [DHHS, Administration for Children and Families] regional officials noted unanticipated increases in Title IV-E administrative costs. ACF initiated deferral of certain costs claimed for Title IV-E candidates and requested that the Office of Inspector General audit Delaware's claims for Title IV-E administrative and training costs developed under plan 95-2."

The report further states that:

"The [State Department of Services for Children, Youth and Their Families (DSCYF)] Department of Services used the revised [95-2] methodology to allocate candidates' case management costs...during the quarters ended December 1999 through June 2003."

And that:

"Beginning with the quarter ended September 2003, the Department of Services returned to the earlier method that properly allocated candidate costs to benefiting programs. However, the Department of Services did not amend its cost allocation plan."

The report identifies costs of \$5,859,542 (federal share) over the five-year period under audit related to the use of the 95-2 methodology, and recommends, in part, that the State "...amend its cost allocation plan to reflect the appropriate methodology for allocating administrative costs for foster care candidates."

DSCYF stated its concurrence with this recommendation in its official response to the audit report, and stated its intention to amend its cost allocation plan in the December 2005-January 2006 time frame, anticipating approval from the Regional Office of the Administration for Children and Families (RO) to pilot a proposed DSCYF foster care candidacy documentation system. DSCYF, in the interim, reverted to the previously approved 95-1 methodology after discussion with DHHS.

For the period under audit for purposes of the Single Audit (July 1, 2006 through June 30, 2007), the Foster Care program was not operating under a cost allocation plan submitted in accordance with 45 CFR §95.509 and HHS Grants Administration Manual Chapter 6-200.

Costs allocated using the original methodology approved in the 95-1 cost allocation plan for the Foster Care program for the year ended June 30, 2007 were \$1,730,760, representing 38% of the total program costs of \$4554837.

In Fiscal Year 2006, the federal Health and Human Services Inspector General's office audited the Department's allocation of administrative and training costs to the Title IV-E program for which a final report has been issued. As a result of the uncertainty surrounding implementation of a new cost allocation plan related to Foster Care, we will not opine on compliance for this program.

Recommendation

We recommend that DSCYF continue to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 which it concurred with in a letter dated May 25, 2005 included as an appendix to that report.

Agency Contact

Harry Roberts

(302) 892-4534

Finding Status

Not corrected or partially corrected.

Status

DSCYF continues to work with the DHHS Regional Office in implementing the recommendations included in report A-03-03-00562 with which it concurred in a letter dated May 25, 2005 included as an appendix to that report.

As a result, programming of the DSCYF client information system (FACTS) to document foster care candidacy has been completed using the DSCYF methodology the RO concurred with. Division of Family Services workers began using FACTS for documenting candidacy on 4/1/08. DSCYF has addressed all of the RO concerns regarding the DSCYF random moment time study (RMTS), activity descriptions and related issues. In late May 2008 the RO provided to DSCYF a time study quality assurance document which DSCYF is in the process of incorporating into its RMTS process. Once that is completed, the RMTS will be submitted to the RO for final concurrence. Once these issues are resolved, all of the other changes and updates requested by the RO will be incorporated into a revised DSCYF Cost Allocation Plan (CAP). The revised CAP will be finalized and submitted by the Fall of 2008 with successful negotiations targeted to be concluded early 2009.

Anticipated Completion Date

Early 2009

Finding Number: 07-CYF-02 Fiscal Year: 2006

Related Prior Findings: 06-CYF-02 Current Year Findings: 08-CYF-02

Program: 93.658 Foster Care – Title IV-E

Condition

During the week of August 14, 2006, ACF staff from the Central and Regional Offices and State of Delaware staff conducted an eligibility review of Delaware's Title IV-E Foster Care program. A review of a sample of 80 cases was drawn for the review period October 1, 2005 to March 31, 2006. The review team determined 6 cases were ineligible for federal funding and concluded that Delaware's Title IV-E program was not in substantial compliance with federal child and provider eligibility requirements for the review period.

During Fiscal Year 2007, we tested 60 case files for provider eligibility requirements. Those files included supporting documentation showing compliance with federal child and provider requirements for the year ended June 30, 2007. However, we noted the internal controls surrounding periodic review of the case files were not being performed timely in accordance with State and agency policies.

Per the Summary Status of Prior Year Findings, the Department of Services for Children, Youth and Families (DSCYF) has started to implement action steps and system changes, however, the corrective action is still in process and has not yet been completed.

Recommendation

We recommend that DSCYF continue to implement its corrective action plan, which includes enhancement of the controls surrounding foster care provider approval to ensure that approval requirements are met and are periodically reviewed in accordance with State and agency policies.

Agency Contact

Harry Roberts (302) 892-4534

Finding Status

Not corrected or partially corrected.

Status

Region III ACF has received and accepted quarterly reports submitted related to DSCYF's Program Improvement Plan (corrective action plan) which included this component. The action steps and the staff training have been completed. This includes contract and policy changes implemented on 7/1/08. Biannual reviews will follow after 7/1/08. It should be noted that Region III is scheduled to conduct an eligibility review in the Spring of 2009 which will include the issues cited in this finding.

Fiscal Year: 2005

Related Prior Findings: 05-OMB-01, 06-OMB-01

Current Year Findings: 08-DOT-01

Program: 20.205 Highway Planning and Construction Cluster

Condition

Similar to the prior year, we noted that the State was not properly complying with the composite clearance method for the Highway Planning and Construction Cluster.

We noted that out of ten draws selected, seven were made five days subsequent the midpoint of the group of composite disbursements, and two were made six days subsequent to the midpoint of the group of composite disbursements. The weighted average clearance for all disbursements per the Treasury-State agreement is seven days. Total drawdowns included in the sample were \$37,733,961, of which \$28,064,126 were drawn on the fifth day and \$7,493,091 were drawn on the sixth day.

The State reported no interest liability on its annual report for the year ended June 30, 2007.

Recommendation

We recommend that the State's OMB continue with its corrective action plan by implementing the following initiatives:

- Develop Statewide policies and procedures related to federal cash management activities,
- Provide copies of the Treasury-State agreement to each impacted agency, and
- Provide periodic training sessions for individuals responsible for federal cash management activities.

Agency Contact

Kathy Baker (302) 760-2687

Finding Status

Not corrected or partially corrected.

Status

The Department of Transportation is working with the Office of Management and Budget (OMB) to review the current clearance patterns. Adjustments will be made as necessary.

Anticipated Completion Date

To be determined.